

**Cover report to the Trust Board meeting to be held on 7 December 2017**

**Trust Board paper N**

<b>Report Title:</b>	Finance and Investment Committee – Committee Chair’s Report (formal Minutes will be presented to the next Trust Board meeting)
<b>Author:</b>	Kate Rayns, Corporate and Committee Services Officer

<b>Reporting Committee:</b>	Finance and Investment Committee
<b>Chaired by:</b>	Martin Traynor, Non-Executive Director
<b>Lead Executive Director(s):</b>	Paul Traynor, Chief Financial Officer Mark Wightman, Director of Strategy and Communications
<b>Date of last meeting:</b>	30 November 2017

**Summary of key matters considered by the Committee and any related decisions made:**

This report provides a summary of the following key issues considered at the Finance and Investment Committee on 30 November 2017:-

- **Interim Arrangements for Pathology Transformation** – Dr A McGregor, Clinical Director and Mr N Callow, Finance Director attended the meeting from the Pathology Management Team to present paper C, outlining the decision to disestablish the operational arrangements of Empath and establish a new East Midlands Pathology Network to transform Pathology services across the region to develop secure and sustainable services and deliver significant financial savings (in line with the Lord Carter Review and NHS Improvement proposals). A Full Business Case to establish the East Midlands Pathology Network was appended to paper C, but this was not being presented for formal approval;
- **2017-18 Month 7 Financial Performance** – paper D advised of a year-to-date deficit of £24.7m which was in line with plan, although underlying performance was currently £5.3m adverse to plan which was attributed to overspends in pay and non pay, CIP non-delivery and cost pressures associated with the emergency care pathway. Revised control totals had been agreed with each of the Corporate Directorates and CMGs in order to deliver the year-end forecast deficit of £26.7m. However, some further analysis was taking place to establish the factors contributing to the significant forecast variance within the Emergency and Specialist Medicine CMG. A further layer of centralised discretionary expenditure controls was also being considered for implementation. Discussion took place regarding the integrated process for monitoring the quality, operational performance, workforce and financial performance of each CMG, noting that these meetings were attended by all relevant members of the Executive Team. A report on the structure and capacity of the Finance Team was also due to be considered by the Remuneration Committee on 7 December 2017;
- **Cost Improvement Programme** – paper F provided the monthly CIP progress report, noting in-month delivery of £3.1m (an adverse variance of £0.59m compared to the planned £3.7m). Year-to-date CIP delivery stood at £19.448 (adverse to plan by £0.567m) and the forecast outturn stood at £38.3m against the target of £44.2m, adverse to plan by £5.843m (of which the supplementary CIP gap stood at £1.564m). The report also detailed progress against the cross-cutting CIP themes, risk and mitigation measures, and key milestones for 2018-19 CIP planning;
- **2017-18 Forecast Outturn Update** – the Chief Financial Officer introduced paper G, updating the Committee on the Trust’s forecast outturn based on the month 7 performance. Particular discussion took place regarding use of the Accountability Framework for holding CMGs to account, although it was recognised that the Framework had been implemented mid-year and was not in place during the 2017-18 budget setting process. Assurance was provided that any changes in accountancy policies or processes were presented to the Audit Committee for approval in advance;
- **2017-18 Capital Programme Update** – paper H provided an update on progress of the Trust’s £33.6m Capital Programme in 2017-18 and the forecast position for the year end. Year-to-date expenditure as at the end of October 2017 stood at £15.3m and a further £7.5m had been committed, making a spent and committed total of £22.8m. The forecast outturn currently stood at £35.3m which represented a potential overspend of £1.7m.

The report was received and noted;

- **Quarterly Contract Update** – Ms L Wall, Head of Contracts, attended the meeting to present paper I, providing an overview of contractual performance against the NHS Standard Contracts for Acute and Specialised Services, noting over-performance against plan of £8.6m for the LLR CCGs and £4.5m for NHS England. The local arrangements for removing financial sanctions for the first year of the contract were working well and a similar agreement was being negotiated for 2018-19. Appropriate arrangements were in place for addressing any challenges and disputes in year. Clarity had been provided regarding the escalation process for resolving any disputes and arrangements were being explored whereby a certain percentage of the disputed items could be settled as an interim measure to support the Trust's cash flow going forwards. The Contract Performance Notice (CPN) relating to Ophthalmology follow-ups had been closed and the Radiology reporting CPN was expected to be closed in December 2017. The ED CPN remained ongoing, but the block arrangements covering ED attendances, CAU, CSSU and GPAU had been agreed to continue for quarters 3 and 4. Eye Casualty was reverting back to a cost volume basis. In response to a query from the Committee Chair, the Head of Contracts advised her view that relationships with Commissioners were improving and that the nature of any challenges was becoming more robust. One of the key risks related to an allocation issue between Acute and Specialised Commissioners relating to the classification and coding of certain treatments;
- **2018-19 Financial Planning** – paper J provided an update on the 2018-19 financial plan (as part of the 2 year plan submitted to NHS Improvement on 10 April 2017). Members noted that the Trust was unlikely to be able to deliver the £11.6m surplus original 2018-19 control total issued by NHS Improvement. The Trust Chairman suggested that it would be helpful for the Trust Board to consider the 2018-19 financial planning assumptions at a future Trust Board thinking day. It was suggested that this discussion could be linked to the discussion on implementing LEAN working at UHL, but Mr A Johnson, Non-Executive Director advised that this event was provisionally scheduled for March 2018;
- **Proposed Reconfiguration Programme Consultation Arrangements** – the Director of Strategy and Communications briefed the Committee on expected changes to the STP narrative arising from an LLR stakeholder event held on 28 November 2017. The pre-engagement process was expected to continue between January 2018 and February 2018 and then the formal Consultation process was planned to commence in Spring 2018. Key issues would include proposed changes to UHL's maternity provision, the future of the LGH site, and provision of in-patient facilities at Hinckley and Lutterworth Hospitals. These aspects would all be impacted by the development of a Community Hospital Model, associated financial assumptions and any proposals to establish Accountable Care Systems.

**Matters requiring Trust Board consideration and/or approval:**

- *None*

**Matters referred to other Committees:**

- **Vision for a Welcome Centre** – in view of time pressures at this meeting, the Director of Estates and Facilities agreed that this presentation could be deferred to the FIC meeting in January 2018.

**Date of next meeting:**

21 December 2017